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COUNTY OF LOS ANGELES
CHIEF ADMINISTRATIVE OFFICE

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SALLY R. REED
CHIEF ADMINISTRATIVE OFFICER

November 22, 1993

To: All Department Heads

From: Sally R. Reed
Chief Administrative Officer *SR*

Subject: **FULL UTILIZATION OF NON-COUNTY, TIME-LIMITED (GRANT) FUNDS**

The Board of Supervisors (Board) has taken two recent actions related to full utilization of grant funds. Both actions focus greater attention on the administration of these funds and place additional responsibility on department heads to ensure full utilization. These two actions go hand-in-hand to maximize the delivery of grant-funded services to the residents of this County.

- On August 24, 1993, department heads were instructed to advise the Board and the Chief Administrative Officer (CAO) immediately whenever substantial regulations either prevented them from carrying out their missions requiring the return of significant Federal or State funding allocations, or impeded implementation of Federal or State programs.
- On October 5, 1993, the Board established policy requiring review of grant expenditures at the midpoint of the allocation period and, if necessary, development of a plan to ensure full utilization of all funds, either through reorganization internally or contracting with the private sector. The Board action requires language in each contract, in the event services are provided through contractors, establishing this review process and allowing for reallocation if necessary.

The following guidelines provide for development of departmental procedures appropriate for differing operations. While the primary focus and goal is to fully utilize funds within the grant period, departments should also explore with the grantor possible 100-percent "roll-over" of any unspent funds to augment future funding allocations or extension of the grant period.

Departmental Plans for Monitoring Grant Funds Utilization

Each department head shall establish, or reaffirm, procedures for review of grant expenditures at the midpoint of the allocation period, or more frequently, as appropriate. This review includes both contracted services and services provided directly by the department. These procedures shall be submitted to the CAO by December 31, 1993 for review and concurrence.

Contract Language for New or Amended Grant-Funded Contracts

All contracts must include language that establishes a midpoint review process and allows for reallocation of funds. Effective immediately, such language shall be included in all new contracts and in any amendments to existing grant-funded contracts. County Counsel has approved the following language as an example. It is for a contract based on the fiscal year, but calendar year may be substituted, as applicable. Any alternative language, as with all contract language, requires County Counsel approval.

Use of Certain Non-County Funds: A review of Contractor's expenditures and commitments to utilize any non-County funds, which are specified in this Agreement for the services hereunder and which are subject to time limitations as determined by Director, shall be conducted by County and Contractor midway through each fiscal year during the term of this Agreement, midway through the applicable time limitation period for such non-County funds if such period is less than a fiscal year, and/or at any other time or times during each fiscal year as requested by Director. At least fifteen days prior to each such review, Contractor shall provide Director with a current update of all Contractor's expenditures and commitments of such non-County funds during such fiscal year or other applicable time period. If Director, in his/her sole judgment, determines from such review that there will be any nonexpenditure of such non-County funds, then Director, to the extent authorized by County's Board of Supervisors, shall reduce the Maximum Contract Amount for the applicable fiscal year up to the amount of such anticipated nonexpenditure, or Director shall recommend to County's Board of Supervisors a reduction in the Maximum Contract Amount for the applicable fiscal year up to the amount of such anticipated nonexpenditure. If Director determines to reduce, or recommend a reduction in, the Maximum Contract Amount for such fiscal year, then Director shall notify Contractor in writing and shall provide Contractor with the revised Maximum Contract Amount for such fiscal year. Any reduction in the Maximum Contract Amount for the applicable

fiscal year shall be effected by an amendment to this Agreement pursuant to Paragraph No. _____ (insert paragraph number related to amendments) which shall set forth the revised Maximum Contract Amount and the revised Financial Exhibit(s) for such fiscal year. Notwithstanding any other provision of this Agreement, the revised Maximum Contract Amount and the revised Financial Exhibit(s) for such fiscal year shall entirely supersede the then existing Maximum Contract Amount and Financial Exhibit(s) as of the date determined by Director or County's Board of Supervisors and set forth in the amendment.

Department Head Delegated Authority to Reallocate Funds

The above contract language deals with reduction of a contractor's allocation. This section deals with reallocation of the nonexpended funds.

Generally, reallocation of funds requires Board approval. In some instances, however, Board actions awarding contracts include a recommendation delegating authority to department heads to amend contract awards up or down within established limits. Reallocations within such limits do not require additional Board approval, but do require written notification to the Board. Reallocations that exceed the delegated authority require a Board letter. Reallocations or plans to spend funds differently than the original budget may also require the approval of the grantor. When approval requirements present significant barriers to timely grant utilization or prevent reallocation, this should be brought to the attention of the Board of Supervisors and the CAO immediately.

To expedite any necessary funding reallocations, departments are encouraged to include a recommendation for delegated authority in all Board letters awarding contracts for grant-funded contracts. The requested authority (percentage change up or down) should consider the size of the contract and historical usage data, if available, to maximize the department head's ability to reallocate expeditiously. It may also be advisable, depending on other terms of the contract, to include similar language in the actual contract. The following is an example of such a Board letter recommendation which could also be modified for inclusion in the contract. Once again, it is based on fiscal year, but calendar year may be substituted, as applicable.

Delegate authority to the Director of (department name) to prepare and sign amendments to this Agreement for fiscal year _____ and any subsequent fiscal year during the remaining term of this Agreement, provided that the County's total payments to the contractor under this Agreement for each fiscal year shall not exceed a change of _____ percent (enter the requested percentage) from the applicable Maximum Contract Amount, and provided further that the Board of Supervisors has appropriated sufficient funds in the Department's budget for all changes described in each amendment to this Agreement. The Department shall obtain the approval of County Counsel prior to the amendment of this Agreement. The Director of (department name) shall notify the Board of Supervisors and Chief Administrative Officer of Agreement changes in writing within fifteen days after execution of each amendment.

Existing Contracts

Existing contracts may not contain expenditure review or reallocation provisions or delegated authority to change contract amounts. It is expected, however, that departments shall conduct midpoint reviews with the contractor or reviews at any point in the contract period when potential problems are identified. County Counsel shall be consulted to resolve any legal issues related to necessary reallocations. As noted, when there is no delegated authority to amend the contract, or the proposed amendment exceeds the delegated authority, a Board letter will be required. When a Board letter is not required, the Department shall notify the Board and CAO in writing within 15 days of executing the change as indicated above.

Departmental Reorganization to Ensure Full Expenditure

When a department head decides to reorganize and use the reallocated funds within the department to provide services directly, the written notice to the Board of Supervisors and CAO or the Board letter regarding the reallocation shall include a staffing plan and timeline for initiation of County services. As a general guideline, staffing needs shall first be filled by transfer of staff from lower priority departmental functions/assignments that are not at risk of losing funding, if the skill is available within the department.

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Utilization Progress Reports

Departments are expected to monitor the expenditures of all grants. Additionally, departments shall submit a utilization progress report to the CAO and take any necessary corrective actions at any point when continuing problems are identified, but no later than two months prior to the end of the grant period for any grant with a projected under-utilization of \$100,000 or more at the midpoint review.

Potential Loss of Grant Funds

If, after taking all the above actions, the department and the CAO concur that all grant funds will not be expended and some must be returned to the granting agency, the department shall immediately notify the Board in writing supplying details of the situation including the amount of funds at risk, all actions taken to avoid the loss and recommendations to prevent similar losses.

If you or your staff have any questions or additional recommendations to ensure full utilization, please contact your CAO management analyst.

SRR:VAC
NF:os/G

c:Each Supervisor

